

Message Text

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ORIGIN OPIC-06

INFO OCT-01 ARA-10 ISO-00 EB-07 AID-05 TRSE-00 XMB-04

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TO AMEMBASSY MANAGUA

INFO AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

UNCLAS STATE 036314

E.O. 11652: N/A

TAGS: EINV

SUBJECT: CENTRAL AMERICAN INVESTMENT INSURANCE PROGRAM

REF: MANAGUA 452

1. OPIC BELIEVES THAT THE MAJOR TARGET OF A CENTRAL AMERICAN INVESTMENT INSURANCE PROGRAM WOULD BE THE LOCAL RISK CAPITAL WHICH IS CURRENTLY BEING BANKED (EITHER WITHIN THE DOMICILIARY COUNTRY OR OUTSIDE THE CACM ALTOGETHER) RATHER THAN BEING USED FOR PROJECT DEVELOPMENT IN THE CACM AREA. IT IS ALSO POSSIBLE THAT THE PROGRAM COULD BE UTILIZED TO ENCOURAGE INVESTMENTS WHICH, ALTHOUGH NOW MADE OUTSIDE THE CACM AREA, MIGHT BE SITED WITHIN THE CACM BUT FOR THE POLITICAL RISK. ALTHOUGH IT IS NOT A PRINCIPAL INTENTION OF THE PROGRAM TO JUGGLE INVESTMENTS

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WITHIN THE CACM COUNTRIES, THERE MIGHT BE SOME TANGENTIAL

BENEFIT IN HELPING TO OPEN UP HONDURAS, ONE OF THE LEAST DEVELOPED COUNTRIES IN THE WESTERN HEMISPHERE, TO INVESTMENTS IN BASIC INDUSTRIES FROM OTHER RICHER CACM COUNTRIES WHILE ENCOURAGING THE FLOW OF INVESTMENT IN MORE SOPHISTICATED INDUSTRIES TO THE MORE DEVELOPED CACM COUNTRIES.

2. WE HAVE NO FIGURES ON THE FLIGHT OF CAPITAL (PROBABLY A VERY DIFFICULT FIGURE TO ESTABLISH WITH ANY DEGREE OF ACCURACY), AND IT IS NOT CURRENTLY ENVISAGED THAT LENDERS FROM OUTSIDE THE CACM WOULD USE THE PROGRAM. SUCH LENDERS WOULD TURN TO THEIR OWN GOVERNMENTAL INSURERS, SUCH AS OPIC IN THE U.S., EDC IN CANADA, ECGD IN BRITAIN, ETC., OR TO ONE OF THE VERY FEW PRIVATE SOURCES FOR POLITICAL RISK INSURANCE SUCH AS LLOYDS.

3. THE IDEA FOR THE REGIONAL INSURANCE PROGRAM WAS DISCUSSED INFORMALLY DURING CONVERSATIONS BETWEEN OPIC AND CABEI AT THE TIME OF THE IMCAM MISSION IN NOVEMBER 1975. IT WAS ALSO REVIEWED WITH SIECA IN GUATEMALA CITY DURING THE SAME MISSION (PURSUANT TO MEETINGS SET UP AND ATTENDED BY ECON OFFICER FULLER) AND THEN FURTHER DISCUSSED WITH ROCAP DIRECTOR HARRISON IN WASHINGTON ON DECEMBER 19.

4. THE PROGRAM WOULD BE OPERATED BY CABEI OR ANOTHER CENTRAL AMERICAN INSTITUTION OR AGENCY. OPIC WOULD PROVIDE ONLY ADVISORY ASSISTANCE, AS REQUESTED BY THE PROGRAM DIRECTORS.

5. FYI, SALVADOREAN FOREIGN MINISTER BORGONOVO HAS ON TWO OCCASIONS BROUGHT UP WITH OPIC REPRESENTATIVES HIS IDEA FOR A SIMILAR POLITICAL RISK INSURANCE GROUP BUT TO BE OPERATED ON A LATIN AMERICA-WIDE BASIS UNDER THE AUSPICES OF A HEMISPHERIC ORGANIZATION SUCH AS THE OAS. A CACM REGIONAL INSURANCE PROGRAM COULD BE A FIRST STEP TO SUCH AN ENDEAVOR. END FYI.

6. FOR TEGUCIGALPA: IF HARRISON VISITS BEFORE MINIMIZE LIFTED FROM GUATEMALA, PLEASE BRING THIS MESSAGE TO HIS ATTENTION. KISSINGER
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